Discount Industry Expansion Depends on How

(Continued from page 3)

petition from department and specialty stores, with the chance to push the conventional retailers into narrower merchandise assortments, according to the poll.

The study also found 11 categories of relatively mature discounting merchandise—items where discount and off-price stores have already achieved significant market penetration. Included in these were toys, electric coffeemakers and barbecue grills.

Because the growth potential is more limited in these areas, discounters would be positioned in a more defensive posture, attempting to retain their market share against incursions by general merchandisers Sears and Montgomery Ward. J. C. Penney would represent less of a threat to these categories since that chain's realignment with a soft goods focus.

Expansion Limited

In the two remaining categories of the 24 examined, the prospects for discounting appeared low. Discounters have achieved an 18% market share for window blinds with only a 12% opportunity for growth; in electric drills a 14% penetration has been achieved with a 17% growth opportunity.

Overall 83% of American households said they currently shop at discount department stores compared to 40% for off-price clothing stores, 20% for factory outlets and 20% for catalog showrooms, the survey reported.

However, in several categories the off-pricers have been moving toward dominance. One of these has been toys, where the specialty discounters have attracted a 25% share of the market.

Different Emphasis

Compared with discount department store customers, those shopping the off-price stores are slightly more affluent and upwardly mobile, a little younger and much more concerned about the prospects for their future financial security.

However, the survey found that discount department store customers are not substituting the off-price specialty stores for the full-line chains, but are expanding their discount buying.

That result appears to be in keeping with a major force driving consumers to discount stores—the perception held by 66% of all households that they are faced with managing a declining standard of living. So serious is that notion that 44% of the households interviewed actually reported cutting back on their standard of living.

While this percentage represents an improvement in consumer confidence, the report termed its negative impact "significant."

The study also reported, though, that consumers have become much more quality-conscious, with a surge toward

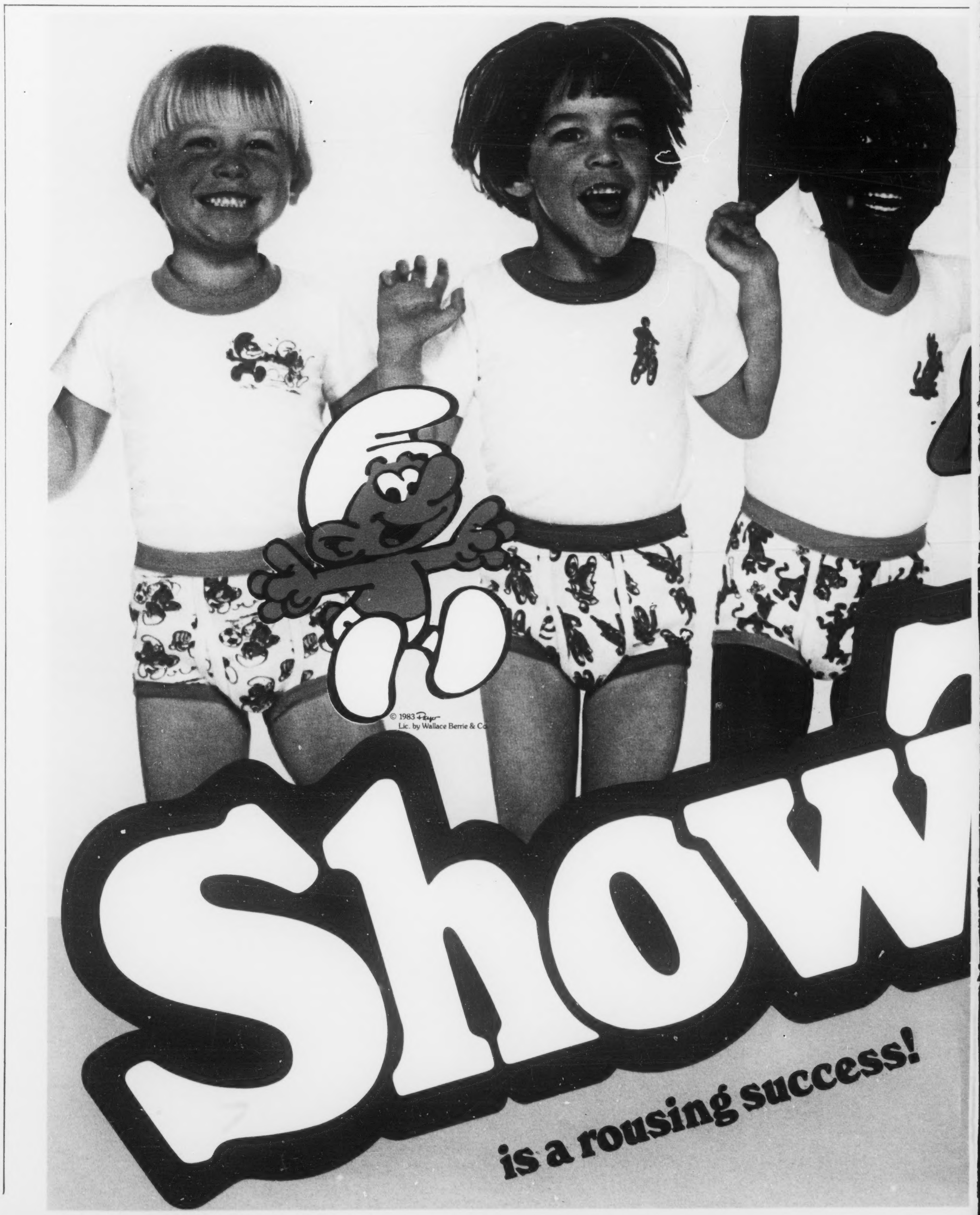
(Continued on page 13)

Penetration of Off-Pricers

	Total	% of Consumers Who Expect to Go to a Discounter Discounter Is Off-Price Store	Off-Pricer's Share of all Discount Customers
Toys	58%	25%	43%
Video cassette recorder	34	14	41
Athletic shoes	23	9	39
Men's dress shirt	16	5	31
Blouse	22	5	23
Jeans	18	4	22
Blazer/jacket	16	4	25
Bath towels	27	3	11
Children's overalls	27	3	11
Infant's sleeper	27	2	7
Sweater	20	2	10
Slacks	15	2	13
Men's suit	5	2	40
Dress	14	2	14
Bra	15	2	13
Nightgown	21	2	9
Electric blanket	30	1	3
Electric coffeemaker	46	1	2
Set/pots and pans	30	1	3
Luggage	28	1	4
Electric drill	14	1	7
Watch	30	1	3
Barbecue grill	40	—	1
Window blinds	18	—	—

Source: Discount Store News' *national consumer study conducted by Leo J. Shapiro and Associates.*

Discount Store News publisher Fred Filer, left, makes a point during NMRI presentation of the national consumer survey. At right is George Rosenbaum of Leo J. Shapiro and Associates, which conducted the poll. *(DSN photo)*



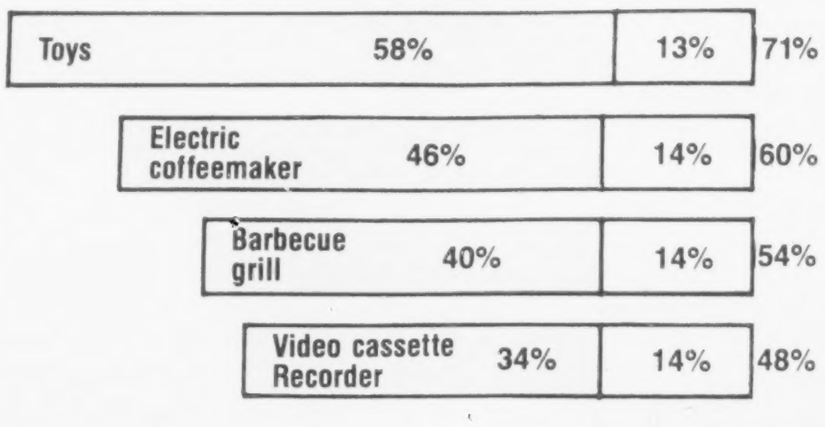
Athletes' Funds Raised by Hills

CANTON, Mass.—Hills raised $102,903 to sponsor 1,030 athletes during this year's Special Olympics.

Employees organized fund-raising events that ranged from bake sales and basketball games to rock-a-thons. In addition, the company contributed money it received for winning a Procter and Gamble photo display contest.

Quickly Chains Gain Control of Branded Goods

Mature Discounting Merchandise
Selected Items



Others:

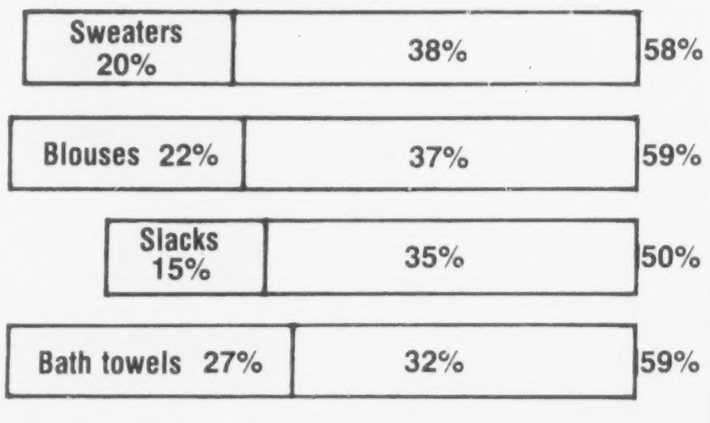
Cookware 30% + 21% = 51%
Watches 30% + 22% = 52%
Electric blankets 30% + 25% = 55%
Luggage 28% + 19% = 47%
Infants' sleepers 27% + 17% = 44%
Children's overalls 27% + 24% = 51%
Athletic shoes 23% + 22% = 45%

☐ Going to discount store.

☐ Know of a discounter who may have what I want.

Source: Discount Store News' *national consumer study conducted by Leo J. Shapiro and Associates.*

High Growth Potential Merchandise
Selected Items



Others:

Men's suits 5% + 36% = 41%
Dresses 14% + 34% = 48%
Nightgowns 21% + 31% = 52%
Jeans 18% + 29% = 47%
Blazers 16% + 28% = 44%
Bras 15% + 27% = 42%
Dress shirts 16% + 25% = 41%

☐ Going to discount store.

☐ Know of a discounter who may have what I want.

Source: Discount Store News' *national consumer study, conducted by Leo J. Shapiro and Associates.*

(Continued from page 12)

brands and product performance.

"Both the conservation of funds and the conservation of quality are involved in the consumer effort to manage a declining standard of living," the report stated.

The survey also found that when consumers know the brand of merchandise they want, they're more likely to shop for it in a discount/off-price store. That result was most apparent in apparel lines.

Of the households interviewed, 45% reported that they already knew the brand or label they wanted on items of clothing.

Among that group 24% said they would definitely go to a discounter and 48% said they might go to a discounter for the item. Only 28% said they would definitely not shop at a discount store for that piece of merchandise.

Of the 55% who did not know the brand they wanted, 40% said they would definitely not go to a discount store.

Consumers identified four key advantages of buying a major apparel item from a discounter: low prices (34%); good selection and variety (28%); brands and designer names (11%), and quality merchandise (11%).

According to the study, the figures indicate that conventional department stores and specialty stores may have to increasingly develop their own labels and designers as discounters gain control of branded merchandise.

"For those consumers who are attracted by the advertised clothing brands the discounter becomes increasingly hard to resist as he makes those brands available," the report added.

Overall, discount retailers are contenders for nearly one out of two customers for many lines of hard and soft merchandise, the report concluded.

"This ratio represents a possible opportunity given present consumer recognition of discounters as a credible alternative for what they want to buy.

"Whether this goal can be achieved—indeed, even if present penetration is held—will be a function of the competition that develops between discounters and conventional retailers for each line of merchandise."

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Burger Kings Due In Woolworth Units

NEW YORK—F. W. Woolworth Co. and Burger King have signed an agreement to convert a number of the variety chain's food-service units in the United States to Burger King restaurants.

The first two restaurants will be converted in the New York City area by fall. A total of 48 more will be in place within the next five years.

"This action is an extension of our stategy to maximize utilization of our space and will certainly increase customer traffic in Woolworth stores," said Jack Parker, president of Woolworth's U.S. general merchandise group.

J. Jeffrey Campbell, Burger King president for worldwide operations, said: "We see the Woolworth agreement as a major victory in our quest for top urban restaurant sites. Many of the sites being considered for conversion are in very busy locations we wouldn't be able to get any other way."

PHOTO

The Outlook For Christmas:

Discounters Focus on Rangefinders and 110's

Nationwide DSN Report

Sluggish sales at camera counters—possibly because of the CE boom—have many buyers conservatively placing their chips on 110mm and 35mm rangefinder cameras for the Christmas selling season.

The merchants claim that the growth and excitement in consumer electronics has attracted much of the disposable income of consumers.

Additionally, many say the poorer-than-expected performance of disc cameras has neutralized the ability of photo departments to compete effectively with CE.

As a result, buyers have opted for the 110's as a reliable low-end standby, while also moving toward the rangefinders for higher-end point-and-shoot customers.

Little Chance Seen

"The camera business is not that great right now," said Don Durbin, dmm, Pamida. "We're not thinking that the camera business is going to be overwhelming because no one's got anything new coming out."

In an effort to boost those sales the chain has installed a 4-ft. long gondola run of blister-packed cameras—mostly in the 110 and disc categories. The 35mm's have stayed securely under glass.

"Our biggest problem is that we've got to put them in the showcase," Durbin said, "and then we've got to have someone there to sell them."

The sales-service aspect of the 35mm cameras has posed disturbing questions for many buyers, although they seem to have been at least partially overcome by the automatic features of many of the rangefinders.

"I think the entire [35mm] category will eventually become a self-service category," said Joe Zotter, buyer for Ames.

Ames is expanding into the 35mm rangefinder market for the first time this fall following a successful test of a low-end SLR earlier this year, Zotter said.

The Ames program will involve Cannon's Snappy and the Keystone low-end auto-focus rangefinder initially.

Strengths Examined

He added that the rangefinders carry the additional potential of "wiping out" the disc cameras priced in the upper ranges, since the 35's carry substantially the same features with significantly better results.

That threat has opened the door for some growth in the discs at lower prices, Zotter said.

"I think the other companies [besides Kodak] that are coming out with them on the low-end will spur disc sales again—perhaps by this Christmas," he added.

Ames, too, is looking with interest toward the blister-packs of 110 and disc cameras for the second half with the hope that they may generate some excitement in the otherwise lackluster marketplace.

The 110mm cameras have already taken a step in that direction for Starlette Stores, which also operates the leased camera departments for Lane Discount Stores and most Gaylords.

Buyer Mark Cotterman said that the suddenly dropping prices of the 110's following the introduction of the disc have made them his best seller.

Starlette carries four sku's of the pocket cameras from Continental and Condor, priced from $13.99 to $23.99 everyday.

"The key to their continued success is that the 110's never left the market flow," Cotterman said. "They just continued to compete at lower prices."

Cotterman said that he has also "reluctantly" brought in four sku's of rangefinders from Cannon, Mamiya and Bell & Howell, priced from $99.99 to $149.99 everyday.

His reluctance was not based so much on questions about their movement or required sales-service as it was on their low margins.

Some buyers have pegged the rangefinders at a 5%-8% gross margin.

As a result, said the buyer for one large Midwestern chain, "You really have to hit the add-on sales hard."

Caldor is one chain that has already made that investment—not only in inventory, but in the service aspects of its photo department.

The chain carries a full line of rangefinder and SLR cameras in addition to the more standard fare offered by disc, instant and 110 cameras.

There are 34 sku's of 35mm cameras from 10 manufacturers. The offerings range from a Keystone Everflash 35, priced at $39.99 everyday before rebate, to a Nikon FG, "specially" priced at $257 before rebate, to a Canon Al, priced everyday at $319.87, on sale for $278.

Rose's has opted to stay out of the 35mm business completely, citing the service requirements for sell-through.

Buyer Bob Flowers, who pointed to a "stagnant" camera market, nevertheless has been surprised by the movement in 110's.

Rose's currently handles four sku's of 110 cameras priced from $14.97 to $32.97 everyday. The disc cameras, which start with the Kodak 3000, begin at about $40.

"The number of 110's that we've been selling has been incredible," Flowers said. "It's as if that customer has said, 'I've had enough of this other stuff, I'm going back to basics.' "

Direct Japanese Unit Shipments to the U.S.

	35mm SLR's			35mm Non-SLR's		
	1981-82	1982-83	% Change	1981-82	1982-83	% Change
Dec.	190,213	183,258	– 3.66	103,573	98,980	– 4.40
Jan.	188,685	137,552	–27.10	59,192	84,586	42.90
Feb.	120,738	191,249	58.40	59,378	120,596	103.10
Mar.	254,358	197,379	–22.40	72,582	141,318	94.70
Apr.	186,546	145,693	–21.90	73,617	145,026	97.00

Note: Figures are not seasonally adjusted. Source: Photo Marketing Association from Japan Camera Industries Association.

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Canon Quality and Simplicity. At the Right Price!

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It's my Style!

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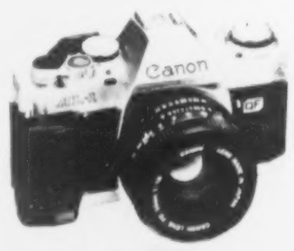
Canon A-1

The Canon A-1 is the most advanced of our "A" Series SLR cameras, featuring six exposure control modes to suit any picture-taking situation. The Canon AE-1 PROGRAM, seen in the hands of sports celebrities like John Newcombe, Tracy Austin and Willie Randolph, is a best seller, with *programmed automation* for focus-and-shoot convenience and shutter-priority

Canon AE-1 PROGRAM

automation for creative control. The new AL-1 has QUICK-FOCUS–an electronic focusing system that makes it easy for



Canon AL-1 QUICK-FOCUS

anyone to get sharp pictures every time. The world-famous Canon AE-1 is so advanced, it's simple, and is the most accepted 35mm SLR in history. Finally,

Canon AE-1

there's the AV-1, the most economical automatic Canon SLR which offers all the flexibility of Canon FD interchangeable lenses and additional accessories like Canon power winders and dedicated speedlites.

Canon AV-1

The Canon Sure Shot and Super Sure Shot models offer totally automatic operation in handsome compact cameras that deliver SLR-quality photos

Canon Super Sure Shot AF 35 ML

Canon Sure Shot AF 35 M

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The Canon line is the most heavily advertised 35mm line, and the broadest, offering Canon quality at every price point. That's why Canon is the world's leader in 35mm photography!

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Video, Computer Mfrs. Almost Quadruple their TV Ads

NEW YORK—As the race for market share intensifies, video game and computer manufacturers spent over $92 million on television advertising in 1983's first quarter, almost four times more than they spent in the same period last year.

In fact, computer and video games are the fastest-growing classification of TV advertisers in 1983, reported the Television Bureau of Advertising (TvB), the television industry's marketing organization.

Computer advertisers, for both hardware and software, increased their TV advertising budgets 230%, from $11.8 million during the first quarter of 1982 to $38.9 million this year. Video game makers spent 336% more during 1983's first quarter than last year (on systems and cartridges), with spending jumping from $12.3 million to $53.6 million.

The dramatic jump in the video game category reflects the fact that seven of the top 10 companies did not use any television advertising in the first quarter of 1982.

Last year's nonadvertisers included Coleco Industries, General Mills (Parker Bros.), Activision Imagic, Milton Bradley (Vectrex), CBS, Data Age and TCF Holdings (20th Century Fox).

The two top advertisers for both years were Warner Communications (Atari) and Mattel (Intellivision). Warner spent $14.5 million on TV advertising in the fist quarter of 1983, a 98% leap from last year's $7.3 million.

Mattel's spending, meanwhile, skyrocketed 255% in the period from 1982's $3 million to $10.7 million during the first quarter of this year. Both companies concentrated on network rather than spot TV advertising.

The top three computer company advertisers were International Business Machines, Texas Instruments and Commodore International.

IBM increased its TV spending some 319% over last year's $2.1 million in the first quarter to approximately $9 million this year. Of that $9 million, $7.7 million were spent on network advertising and $1.3 million on spot ads.

Texas Instruments, in contrast, which spent $7.5 million compared to $1.2 million—a 505% increase—allocated all of its dollars to spot ads.

In addition, five of the top 10 computer manufacturers did not advertise at all during last year's first quarter. This year, however, they spent from $6.5 million up to $2.2 million each. These companies included Burroughs, Tandy (TRS), Timex, Datapoint and Management Assistance.

Video Games (Systems and Cartridges) Top Five Television Advertisers

Company	First Quarter 1982	First Quarter 1983	% Change
Warner Comm. (Atari)	$7,309,600	$14,466,000	+ 98
Mattel (Intellivision)	3,025,000	10,727,600	+255
Coleco Industries	—	9,584,500	+ inf.
General Mills (Parker Bros.)	—	5,983,000	+ inf.
Activision	1,961,900	5,585,200	+185

Source: Television Bureau of Advertising from Broadcast Advertisers Reports data.

Computers (Hardware and Software) Top Five Television Advertisers

Company	First Quarter 1982	First Quarter 1983	% Change
International Business Machines	$2,146,000	$8,995,900	+319
Texas Instruments	1,242,400	7,517,200	+505
Commodore International	1,012,600	6,249,100	+517
Digital Equipment	732,000	5,593,000	+664
Warner Comm. (Atari)	1,425,600	2,851,400	+100

Source: Television Bureau of Advertising from Broadcast Advertisers Reports data.

Lechmere Tests Units to Measure Water Depth Level

WOBURN, Mass.—Lechmere, the six-store New England hard lines discounter, recently began a test of electronic depth-finders in its Manchester, N.H., and Springfield and Dedham, Mass., stores.

The popularity of deep-sea fishing in its market, said buyer Paul Koutrakis, convinced the chain to start the test. The stores carry three sku's with retail prices of $199, $279 and $299 for the battery-powered units that measure water depth in a given area.

The chain has no special plans to promote the new items, said Koutrakis, who added sales in the initial weeks of the program have been encouraging. Margins on the goods average 30%.

The items are mostly geared to the avid fishing hobbyist who is always looking to improve his catch, says Koutrakis.

Major Appliance Shipments Up 30%

CHICAGO—Nearly 2.9 million major appliances were shipped in May, a 30.3% increase over May 1982, according to the Association of Home Appliance Manufacturers (AHAM).

The association said this was the industry's "best May since 1979" and the largest percentage increase over the same month in the prior year since the late 60's.

Paul Roman, AHAM vice president of marketing and international trade, said May shipments "far exceeded the most optimistic forecast being made in the industry."

AHAM's tally showed microwave ovens had their best month in history with 492,000 units shipped in May, a 132% increase over last year.

Increases for May in other categories were: dishwashers, 53.3%; electric ranges, 66.6%; clothes dryers, 44.6%, and refrigerators, 29%.

"Studies by the National Mass retailing Institute have revealed that personnel is one of the industry's problems. NRMI determined that an independent study approach . . . would be of tremendous benefit to the mass retailing industry. *Management Development for Discount Stores* forms the basis of the course."

—Foreword, ***Management Development for Discount Stores.***

MANAGEMENT DEVELOPMENT FOR DISCOUNT STORES

by Edward M. Harwell

A Review Committee of the National Mass Retailing Institute has reviewed this book and recommends it for use by members of the mass retailing industry.

SOLVE YOUR EMPLOYEE TURNOVER PROBLEM

Now more than ever before mass retailers must manage their personnel effectively. Edward M. Harwell, well-known author and Senior Vice President of Human Resources and Special Services of First National Supermarkets, provides an effective guide to each phase of the employment process.

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by John Thompson
The first and only guide to retail store location—from one unit to a chain. Only $24.95.

More Than They Bargained For: The Rise and Fall of Korvettes
by Isadore Barmash
The best-selling insider's account of the meteoric rise and precipitous decline of a pioneering discount chain. $14.95.

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Home Computer Seminar

Mfrs., Chains Trade Views: Pp. 1, 24-45

Discount Store News®

THE NEWSPAPER OF THE DISCOUNT DEPARTMENT STORE INDUSTRY

VOL. 22, NO. 16 | Published Biweekly, Every Other Monday, Monthly in December, by Lebhar-Friedman Inc. | $2 per copy | AUGUST 8, 1983

Kids "R" Us' departments, like Gals "R" Us in Paramus, are color-coded and located off a center drive aisle. They are organized by sex, size and age with coordinated merchandise in each category.

Buying, Volume Projections Are Raised For Second Half

Nationwide DSN Report

Discount store and catalog showroom executives are, for the most part, guardedly optimistic about the second half and key fourth-quarter sales outlook.

This rosier outlook, nurtured by the upswing in the economy, has made many retailers change their original projections for buying goods and for sales.

"We make adjustments every week of the year and last fall we were anticipating an 8% increase for fall '83," David D. Glass, vice chairman, finance, Wal-Mart, said. "Now it looks like the actual increase will be 13%."

An executive at cataloger H. J. Wilson said same-showroom volume in the second half is expected to show gains that outpaced these stores' performance during the first half. He noted that in the first quarter, these showrooms had a 7% gain while the trend in the still unfinished fiscal second quarter is about 9%.

Stepped-up purchasing for the second half is the story at Murphy's Mart. Charles H. Lytle, parent G. C. Murphy's president and ceo, said that last fall buying was cut 15% based on the 1981 results. This year, the discounter is going "full steam ahead and ordering 100% of its seasonal requirements."

Gaylords is building its inventory earlier than in past years to be in-stock and positioned as the "store to shop," Joseph Nusim, exec vp, said.

Buying and stocking of toys, stationery and back-to-school goods peaked 60 days earlier than last year, and the results have been "Business that is

(Continued on page 60)

"Some of our biggest sales increases were in ladies' apparel, domestics, linen and home decor."—Herbert Gilman, chairman, ceo, Ames.

In contrast to last fall's cutback, Murphy's Mart is "ordering 100% of its seasonal requirements."—Charles H. Lytle, president, ceo, G. C. Murphy.

Toys "R" Us Gives Birth To Big Kids "R" Us Twins

By BRENT FELGNER

PARAMUS, N.J.—Kids "R" Us, the newly born off-price children's apparel entry from Toys "R" Us, has opened its first units here and in Brooklyn, N.Y.

Company executives are already positioning the chain to "own" the market within several years.

By some accounts, the two units have already redefined how an off-pricer should look and act, bringing a blend of sharp prices, extensive upscale fixturing, a high-service environment and a wide assortment of designer and brand-name apparel to market.

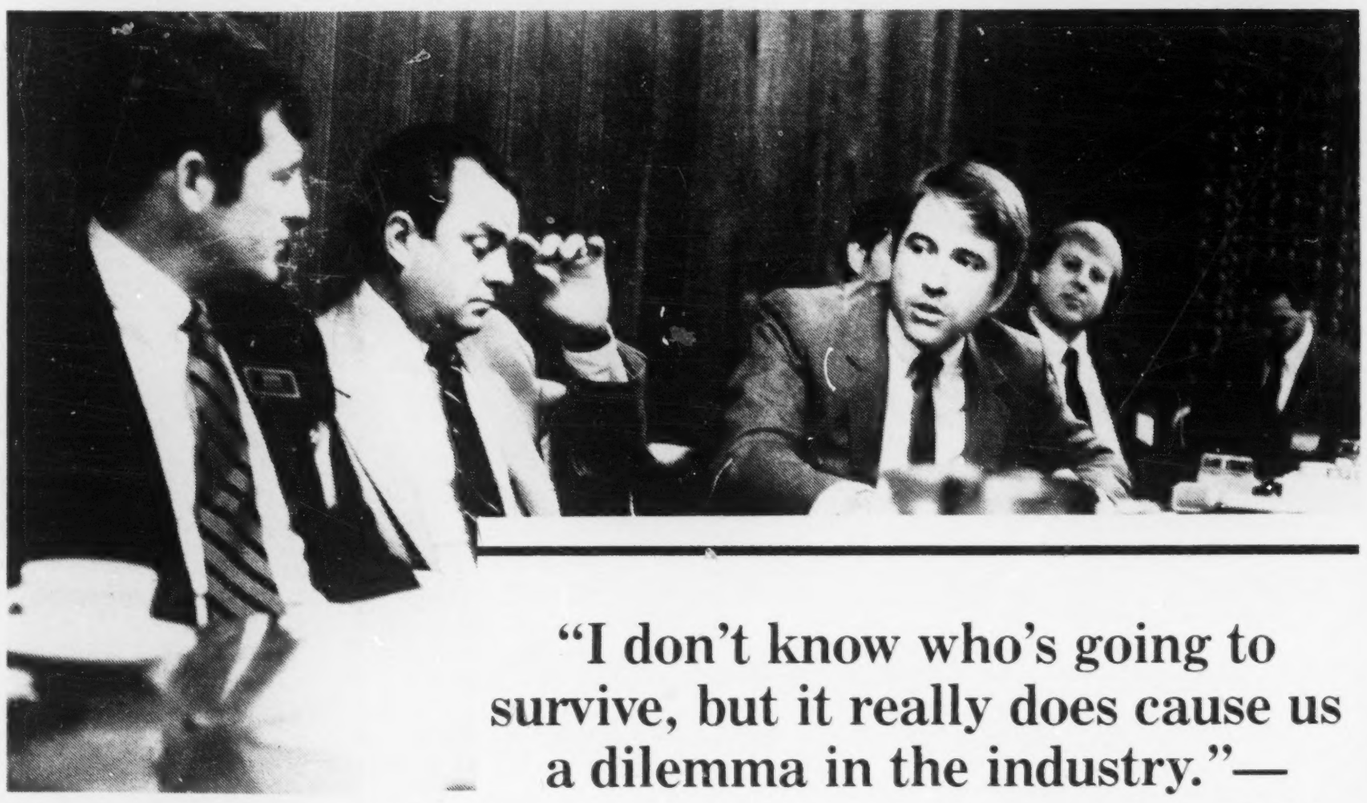
A spokeswoman for Toys "R" Us declined comment on the expansion plans of the new division. However, executives have privately said that they are eying more than 300 stores over the next few years.

But, the initial opening schedule is modest. There will be no additional stores opened this year and there are about eight to 10 stores planned for 1984, according to a source close to the company.

The openings—in mid-July—took place with little fanfare, allowing what one executive termed a brief "shakedown" pe-

(Continued on page 60)

Home Computers on Hot Seat



How can home computer hardware and software be retailed profitably? A group of prominent manufacturers, discounters and a cataloger exchanged their often brutally frank views about this exploding, changing market in a seminar sponsored by DSN.

Among the two dozen participants in the DSN *computer roundtable were (l.-r.) Mark Bradlee, vp sales, Imagic; Tim Huber, vp marketing, The Leading Edge; Bill Prophater, vp hard lines, Gold Circle, and Bill Skyrme, director of product development for Timex. Following is a transcript.*

"I don't know who's going to survive, but it really does cause us a dilemma in the industry."—

Bill Prophater, Gold Circle

DSN: To begin, where do you think the home computer market stands today? How have you positioned yourself in the current marketplace and, in general terms, where do you think you'll be in six months or a year?

DON DURBIN, vp, dmm, hard lines, Pamida: Right now, we're in a test program in just 10 of our stores. We're basically in rural markets. Our stores vary in size, so it makes it a little tough for us to really merchandise computers. We're selling video games, but we just don't know whether we've got the capabilities to sell the computers yet.

EUGENE O'DONNELL, vp, hard lines, Hills Dept. Stores: We're in a lot of rural markets also. But we've taken the position that we're going to go after the business fairly aggressively.

(Continued on page 21)

Digest

Aug. 8, 1983

HARDWARE

• **Hardware buyers, after cut**ting back to basics, are once again planning to expand departments. Step-ups are due to be added in power tools and lawn and garden. (p. 13)

HOME COMPUTER SEMINAR

• **Manufacturers, discounters** and a cataloger got together in a *DSN*-sponsored seminar to discuss ways of profitably handling the exploding home computer market. (pp. 1, 21-45)

Index

At the Source	49-52
Catalog Showroom News	11
Classified	57-58
Editorial	6
Hardware	13
Housewares	14-18
Pilferage Prevention	4
Washington Beat	6

T.G. & Y. Has Five-Year Plan For Turnaround

OKLAHOMA CITY—T.G. & Y. executives have unveiled a five-year plan aimed at boosting sagging sales and profits and bringing the company into the 1980's in discount retailing.

The plan includes an extensive store remodeling and remerchandising effort, financed, in part, through continued store closings, according to Larry Del Santo, acting president and ceo. Those closings will free up about $62 million in capital by 1988.

The five-year plan calls for $50 million to be spent on store refurbishing with $30 million of it to be spent during 1984 and 1985. Another $11 million has been earmarked for an electronic point-of-sale/management information system, and an additional $27 million will be spent to upgrade the chain's

(Continued on page 55)

KDT Sells 5 Puerto Rico King's To K mart, 1 in Maine to Mars

NEWTON, Mass.—KDT Industries, continuing to wind down its King's holdings, has sold five stores in Puerto Rico to K mart and one in Bangor, Me., to Mars.

Only one King's in Brockton, Mass., and one in Alliance, Ohio, remain, and KDT expects to hold an auction this month to sell their leases.

KDT has also sold its Chelmsford, Mass., warehouse for $5.5 million to an investor who made a leaseback deal with Marshalls.

KDT, which is continuing to work on its Chapter XI reorganization plan, has sold its Newton headquarters, but will occupy the building until the end of the year, after which it will determine how much office space it needs to rent to handle the final disposition of its business.

The five King's in Puerto Rico sold to K mart for $2,150,000 are in El Senorial in Rio Piedras; Rexville Plaza in Bayamon; Plaza Rio Honda in Bayamon; Plaza del Atlantics in Arecibo and a freestanding store in Mayaguez.

KDT rejected the lease on one store in Puerto Rico and is negotiating with the landlord of another unit. Earlier this year, the company rejected two other stores on the island, while in an auction the Pueblo supermarket chain obtained three and Times Square Stores acquired the units in Ponce, Caguas and Guaynabo.

Mars won the Bangor store in an auction in June for $25,000, while landlords obtained the units in Milford, Conn., Auburn, Me., and Raynor, Mass.

Plans Aired

The Chapter XI reorganization plan calls for KDT to be merged with Ames and for the funds obtained from the disposition of the King's stores and other KDT assets to be used to pay creditors.

Ames, under the plan, will obtain 42 King's. The Hartford, Conn.-based discounter already has a contract to manage these stores and during the last two months has reopened 23 closed King's as Ames. Nineteen operating King's are to be converted to Ames during the next two months.

An Ames executive projects the 42 stores will add "in excess of $160 million" to the chain's volume.

The Ames deal with KDT provides for the former to buy the 42 stores should the Chapter XI reorganization plan and the proposed merger fail to be approved by either the Federal Bankrupcty Court or KDT's creditors.

KDT is due to send out a bar order to obtain a final list of claims against the company. When the order expires, no further claims against KDT will be accepted.

The list of claimants will enable the company to determine

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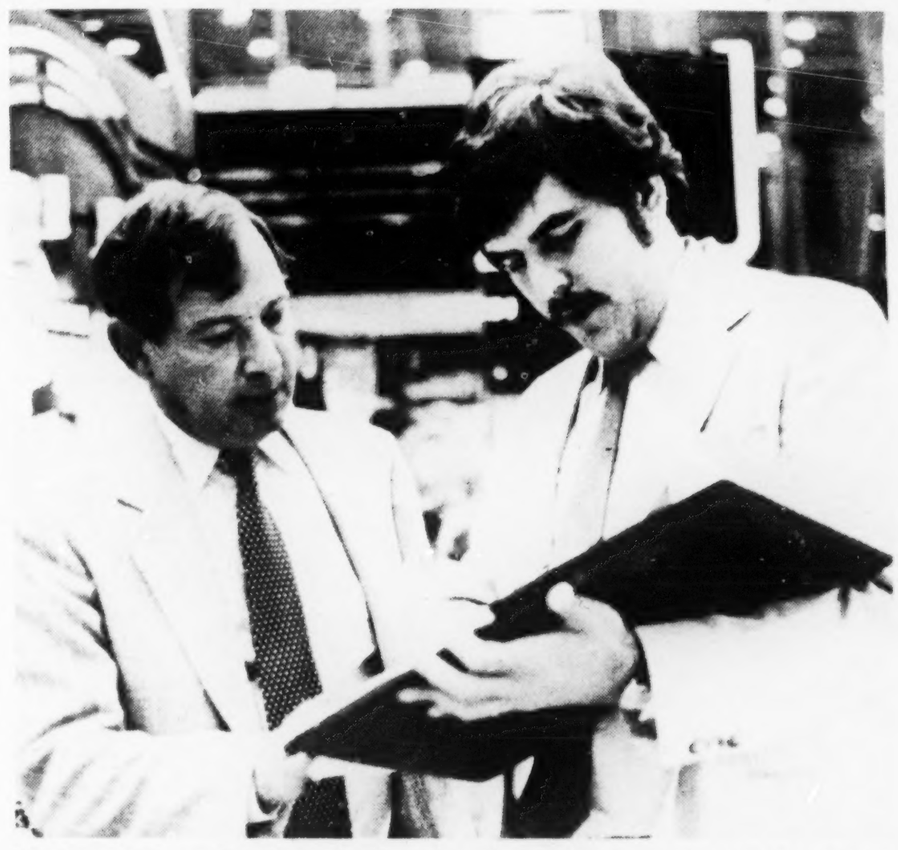


Venture buyer Charles Biddle (r.) nails down some business with a manufacturer's representative at the July housewares show in Chicago. *(DSN photo)*

Generic Cigarettes Are the Hot Smokes

Nationwide DSN Report

Generic cigarettes are the hot smokes in discount store tobacco departments.

A growing number of discounters now feature generic cigarettes in their tobacco section, reflecting what a Rose's merchandiser conservatively described as the item's "major impact" on the sale of cigarettes.

While discounters and other retailers, for the most part, noted branded cigarette sales were mixed to weak, movement of generics has exploded.

A Bi-Mart merchandiser, for example, said generics are the top-selling "brand" at the Pacific Northwest chain, outselling any national line. Bi-Mart was among the few discounters that noted that cigarette sales overall were strong.

The sharply divergent trend between name brands and generics in the cigarette business is evident from studies from a number of different sources.

The Tobacco Merchants Association noted that total cigarette unit movement is on a slide, although dollar volume is up because of higher prices. Cigarette unit movement last year was 630 billion individual cigarettes, which works out to 31.5 billion packs. Both figures are down from the 1981 totals of 634 billion individual cigarettes or 31.7 billion packs, and unit movement is expected to be again off this year.

(Continued on page 46)

Producers' Offerings, Price Stability Buoy Housewares Buyers

By MARILYN NEERMAN

CHICAGO—Discounters left the 79th International Housewares Exposition in a good mood.

They were buoyed by the strong promotions they were able to nail down, general price stability, and enough in the way of new items and merchandise concepts: among them, space-saving electrics, Andis and Norelco hang-up hair dryers, Norcarl's Mr. Soft Drink, Remington's Aroma Disk Player, Corning's Visions cookware, Mikasa's Home Beautiful line, and new packaging from Sunbeam, Mirro and Foley.

If the final NHMA July housewares show didn't live up to some buyers' expectations, it might have been because those expectations were unrealistically high.

With a nine-month hiatus until the next National Housewares Manufacturer Association-sponsored industry get-together, buyers entered McCormick Place envisioning record-breaking attendance, manufacturers' booths redolent with new products for the back half and spring 1984, and, in general, more hoopla than the typical July event.

Instead, the show was July-as-usual.

Luke Kirby, Caldor's vp, gmm, summed it up, "It just seemed like this was a quieter show because everyone came to Chicago expecting such a big deal to be going on."

While buyers from Harts and ShopKo were disappointed in the lack of manufacturer readiness to work spring 1984, others including Arthur Zevator of L. Luria; Richard Lento, Gaylords, and Vin Seadale and Sam Mangiere, Jefferson Ward, found the slower tempo of the show conducive to accomplishing a prime objective: "really working" with manufacturers on promotions. They found manufacturers "flexible" and anxious to get their share of the healthy sales expected the rest of the year.

Confident in their competitive price positions and optimistic over the housewares outlook for the second half, many chains also used the show to continue shopping toward their policy of trading up, particularly in categories with a heavy fashion component, like tabletop merchandise.

Coinciding with the latter strategy was the launch of Mikasa's new line, Home Beautiful, geared specifically to the mass merchants. Bradlees, Hills, Caldor, Jefferson Ward and J. C. Penney are among the chains already committed to the line.

Home Beautiful—a coordi-

(Continued on page 18)

New Electrics Promising But Fail to Excite

CHICAGO—In traffic electrics, buyers at the housewares show still hoped to find that new item—the equivalent of a popcorn popper or food processor—guaranteed to bring in a customer stampede. They didn't. Nevertheless, buyers agreed that the growing list of space saving appliances—first from General Electric, now with wall-mounted hair dryers from Norelco and Andis, plus a new wave of wall-mounted can openers, including one from Rival, the can opener leader—were good second-half volume prospects.

The introduction of a broad range of health care electrics—notably from Norelco—and carded, blister-packed personal care items from Norelco, Clairol and Conair, gave electrics buyers two more areas of decision-making.

L. H. Christopher, buyer for Rose's, said some discounters might use the blister packs as in-and-out promotions at checkout areas. But, Pamida's Fred Perry commented, "My customers know where my appliances are; why confuse them by putting them all over the store?"

Dan Schiller and Joe Kramer from Alexander's commented, as did several other buyers, that blister-packing had a "cheaper" connotation than boxed items in any category. Kramer said, "We're wary that blister-packing wouldn't work as a gift business."

Bruce Sherwood of Danners does plan to buy the carded hair care group from Norelco. "These items give us the cross-merchandising option," he said.

Drug Emporium, in One-Market Blitz, Readies 4th Opening in Columbus

By KAREN PAXTON

COLUMBUS, Ohio—The concept of a low-margin discount H&BA outlet wasn't originated by Phil Wilbur.

But, he and son Gary have spent the past six years refining the idea.

For example, where most entrepreneurs and, most recently, chain drug companies, are satisfied to open one or two of the low-margin outlets in a single market, the Wilburs are going after market saturation. This month they will open their fourth (company-owned) Drug Emporium in Columbus.

"Dad borrowed much of the concept from Shulman's and F&M," said Gary Wilbur, president of the company. "But, he took it a step further, setting a goal for serious penetration of an entire market."

Then, he broke one of the unwritten rules of the low-margin concept and funneled 1.5% of sales to local TV ads. To get maximum use of his money Wilbur only commits to ads that will be paid in part by manufacturers' co-op funds.

The advertising message is institutional. "Our pitch is that we have 22,000 name brand name items at the lowest prices in town," Wilbur said.

That promise of selection plus a little mystery about just how low prices might be on any given day pushed sales at the newest store (which opened in March with 15,000 sq. ft. selling space) well over $100,000 a week, three months after the ribbon-cutting.

The store is located on the third wing of a strip mall still under construction and isn't visible from the main highway. According to one area retailer, the Wilburs have earned a reputation for choosing some of the worst sites in the market.

The Wilburs use the as-

(Continued on page 60)

Drug Emporium shoppers don't mind bagging their own light bulbs from boxes when the price is 33¢. One shopper did stop to shake a bulb and make sure it worked before buying.

Generic Cigarettes Become the Hot Smokes

(Continued from page 3)

(The dollar figures had 1982 cigarette sales at $23.5 billion, up from $21.2 billion in the previous year.)

The decline in the name brand portion of the cigarette market is evident when generics are considered. The TMA's figures include both name brand and generic cigarettes.

However, a generic cigarette study by John Maxwell of Lehman Bros. Kuhn Loeb reported that this type of cigarette went from almost nothing in 1980 to 2.7 billion individual cigarettes or 130 million packs in 1981 and then doubled in unit volume to 5.8 billion cigarettes or 300 million packs last year.

Generic unit movement is expected to double to 11 billion-12 billion cigarettes and about 600 million packs this year.

When generics' movement is taken out of the total cigarette unit action, it leaves name brand cigarettes sliding from 631.3 billion individual cigarettes or 31.6 billion packs in 1981 to 624.2 billion cigarettes or 31.2 billion packs last year.

Discounters are divided on whether generics have taken up some of the slack in name brand sales or are just additional business. No one, however, can point to any brand that has lost sales to generics.

The growing consumer demand for generics in the face of the weak name brand business has resulted in a roster of discounters adding generics to their mix. The chains include Wal-Mart, Nichols, ShopKo, Jamesway, Fred Meyer, Rose's, Murphy's Mart, Cook United, Meijer's and Bi-Mart.

Rose's has been selling generics for just over a year, and a merchandiser reported that sales were stronger in rural markets than metro areas. Price was the key consideration in a consumer selecting a generic pack, he said.

The view that price is the spark that flames generic sales was supported in a reverse fashion by a Nichols merchandiser.

That Northeast discounter has expanded its generics merchandising from just New York State stores in 1981 to all units last year. Despite the greater number of stores now selling generics, this type of cigarette hasn't greatly impacted the chain's movement of national brands.

The price of generics isn't sharply lower than name brands at Nichols because the discounter has a program of meeting—and beating—competitors on name brands; this has resulted in Nichols pricing name brands as low as 15¢ a pack under competitors.

The lower price for name brands has become the attraction for shoppers, the merchandiser said, so that the chain's cigarette business overall was up 6% in sales for the most recent quarter.

Generic cigarettes are usually priced 30% less than name brand cigarettes, but the price for both types varies due to different state laws, and even within a state because of local taxes.

Rose's, for example, discounts generics and name brand cigarettes on a local basis, due to different state regulations and tax rates. This means that cigarettes aren't included in chainwide circulars, but are featured in newspaper ads that a store can run with a local newspaper.

Bi-Mart, on the other hand, promotes cigarettes in monthly chain ads in Oregon, but doesn't include cigarettes in Washington promotions because that state requires that retailers maintain a 10% margin on all cigarette sales.

Ohio also has a minimum retail markup for cigarettes, so cigarettes aren't promoted in the Buckeye State, the Cook United merchandiser said. Despite the lack of promotions, generics have had a major impact on cigarette sales, the merchandiser added, because customers see the saving as compared to national brands when they come to the store and check out the prices at the display.

Different Procedures

Generics are shown on a separate fixture adjacent to name brand cigarettes at Nichols, Cook United and Rose's, but are part of the regular cigarette mix at Bi-Mart.

The Bi-Mart merchandiser said generics get more facings than national brands, so these cigarettes aren't lost among the name brands.

The Rose's merchandiser said that generics have to be displayed separately so the impact of the lower prices isn't lost on customers.

King-size is the best seller among generics at Cook United, followed by 100's; menthol types are good and the ultra-lights are fair, the merchandiser added. Other discounters reported a similar trend; the Rose's merchandiser noted that each store can cull them six different types of generics for the best sellers for its market.

Cigarette Unit Volume

	1980	1981	1982
All Cigarettes	620,000,000,000 (31,000,000,000 packs)	634,000,000,000 (31,700,000,000 packs)	630,000,000,000 (31,500,000,000 packs)
Generic Cigarettes	N.A. N.A.	2,700,000,000 (130,000,000 packs)	5,800,000,000 (300,000,000 packs)

N.A.—Not available. Source: Tobacco Merchants Association; John Maxwell, Lehman Bros. Kuhn Loeb.

Tobacco Dollar Volume

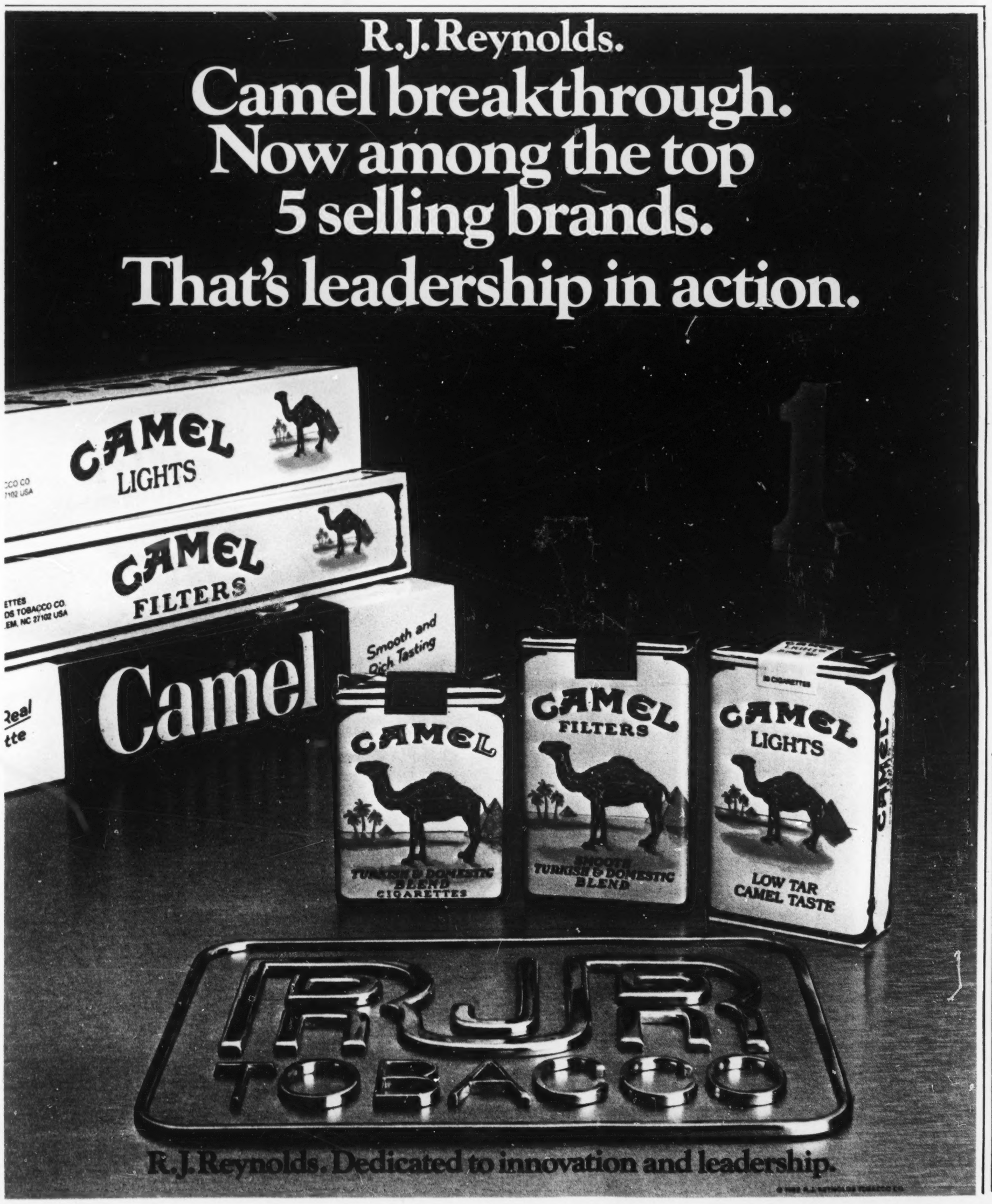
	1980	1981	1982
Cigarettes	$19,400,000,000	$21,200,000,000	$23,535,000,000
Large Cigars	641,000,000	661,000,000	656,000,000
Small Cigars	36,000,000	39,000,000	41,000,000
Other Tobacco Products	930,000,000	1,040,000,000	1,115,000,000

Source: Tobacco Merchants Association

Disposable Lighter Unit Sales

	1980	1981	1982
Disposable lighters	400,000,000	415,000,000	425,000,000

Source: Bic Lighters



Some Foodniks Try PL Route

Special DSN Report

Generic cigarettes are making news at discount stores.

But, it's another story among supermarkets. About a dozen of these retailers have started to merchandise private label cigarettes—and in the process dropping generics.

PL cigarettes are also priced 30% below name brands, so that a supermarket's interest in PL isn't margin but rather strengthening its identity with shoppers.

With PL, every time a customer lights up, the supermarket's name is seen on the pack.